

## **EXHIBIT N**

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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2015

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number: 001-32698

**MGT CAPITAL INVESTMENTS, INC.**

(Exact name of Registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of  
incorporation or organization)

**13-4148725**

(I.R.S. Employer  
Identification No.)

**500 Mamaroneck Avenue, Suite 204,**

**Harrison, NY 10528**

(Address of principal executive offices)

**(914) 630-7431**

(Registrant's telephone number, including area code)

Indicate by check whether the Registrant (1) has filed all reports to be filed by Section 13 or 15(d) of the Securities and Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, non-accelerated filer or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer," "non-accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act:

Large Accelerated Filer

Accelerated filer

Non-accelerated Filer

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of May 14, 2015, the registrant had outstanding 14,042,246 shares of common stock, \$0.001 par value.

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**MGT CAPITAL INVESTMENTS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
(In thousands, except share and per-share amounts)

	<u>March 31,</u> <u>2015</u>	<u>December 31,</u> <u>2014</u>
	<u>(Unaudited)</u>	<u></u>
<b>Assets:</b>		
Current assets:		
Cash and cash equivalents	\$ 1,380	\$ 1,455
Accounts receivable	5	5
Prepaid expenses and other current assets	155	172
Note receivable	251	—
Total current assets	<u>1,791</u>	<u>1,632</u>
Non-current assets:		
Restricted cash	39	138
Property and equipment, net	33	43
Intangible assets, net	2,267	2,417
Goodwill	6,444	6,444
Other non-current assets	—	2
Total assets	<u><u>\$ 10,574</u></u>	<u><u>\$ 10,676</u></u>
<b>Liabilities:</b>		
Current liabilities:		
Accounts payable	\$ 404	\$ 245
Accrued expenses	312	180
Player deposit liability	773	952
Other payables	3	2
Total current liabilities	<u>1,492</u>	<u>1,379</u>
Total liabilities	<u><u>1,492</u></u>	<u><u>1,379</u></u>
<b>Commitments and contingencies:</b>		
Redeemable convertible preferred stock – Temporary equity:		
Preferred stock, series A convertible preferred, \$0.001 par value; 1,416,160 and 1,416,160 shares authorized at March 31, 2015, and December 31, 2014, respectively; 10,143 and 9,993 shares issued and outstanding at March 31, 2015, and December 31, 2014, respectively	—	—
<b>Stockholders' equity:</b>		
Undesignated preferred stock, \$0.001 par value; 8,583,840 and 8,583,840 shares authorized at March 31, 2015, and December 31, 2014, respectively. No shares issued and outstanding	—	—
Common Stock, \$0.001 par value; 75,000,000 shares authorized; 12,853,381 and 10,731,160 shares issued and outstanding at March 31, 2015, and December 31, 2014, respectively	13	11
Additional paid-in capital	309,452	308,288
Accumulated other comprehensive loss	(281)	(281)
Accumulated deficit	(300,457)	(299,163)
Total stockholders' equity attributable to MGT Capital Investments, Inc.	<u>8,727</u>	<u>8,855</u>
Non-controlling interests	355	442
Total stockholders' equity	<u><u>9,082</u></u>	<u><u>9,297</u></u>
<b>Total liabilities, redeemable convertible preferred stock and stockholders' equity</b>	<b><u><u>\$ 10,574</u></u></b>	<b><u><u>\$ 10,676</u></u></b>

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.



**MGT CAPITAL INVESTMENTS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
(In thousands, except share and per-share amounts)  
(Uaudited)

	<b>Three months ended March 31,</b>	
	<b>2015</b>	<b>2014</b>
<b>Revenues:</b>		
Gaming	\$ 217	\$ 42
Licensing	—	43
	<u>217</u>	<u>85</u>
<b>Cost of revenues:</b>		
Gaming	90	49
	<u>90</u>	<u>49</u>
<b>Gross margin</b>	<u>127</u>	<u>36</u>
<b>Operating expenses:</b>		
General and administrative	1,388	1,264
Sales and marketing	79	17
Research and development	—	60
	<u>1,467</u>	<u>1,341</u>
<b>Operating loss</b>	<u>(1,340)</u>	<u>(1,305)</u>
<b>Other non-operating (expense) / income:</b>		
Interest and other (expense) / income	(41)	3
	<u>(41)</u>	<u>3</u>
Net loss before income taxes and non-controlling interest	<u>(1,381)</u>	<u>(1,302)</u>
Income tax benefit	—	10
	<u>—</u>	<u>10</u>
Net loss before non-controlling interest	<u>(1,381)</u>	<u>(1,292)</u>
Net loss attributable to non-controlling interest	87	170
	<u>87</u>	<u>170</u>
<b>Net loss attributable to MGT</b>	<u><u>\$ (1,294)</u></u>	<u><u>\$ (1,122)</u></u>
<b>Per-share data:</b>		
Basic and diluted loss per share	<u><u>\$ (0.11)</u></u>	<u><u>\$ (0.13)</u></u>
Weighted average number of common shares outstanding	<u><u>11,260,174</u></u>	<u><u>8,796,041</u></u>

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

**MGT CAPITAL INVESTMENTS, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
 (In thousands)  
 (Unaudited)

	<b>Three months ended March 31,</b>	
	<b>2015</b>	<b>2014</b>
<b>Cash flows from operating activities:</b>		
Net loss	\$ (1,381)	\$ (1,292)
<b>Adjustments to reconcile net loss to net cash used in operating activities:</b>		
Depreciation	10	11
Amortization of intangible assets	150	117
Stock-based expense	94	123
<b>Change in operating assets and liabilities:</b>		
Accounts receivable	–	(8)
Prepaid expenses and other current assets	17	(22)
Accounts payable	159	–
Accrued expenses	132	40
Player deposit liability	(179)	(402)
Other payables	1	9
Net cash used in operating activities	<u>(997)</u>	<u>(1,424)</u>
<b>Cash flows from investing activities:</b>		
Purchase of property and equipment	–	(41)
Release of restricted cash and security deposit	101	2
Issuance of Note receivable	(251)	–
Net used in investing activities	<u>(150)</u>	<u>(39)</u>
<b>Cash flows from financing activities:</b>		
Proceeds from ATM sales of common stock, net of fees	<u>1,072</u>	<u>1,466</u>
Net cash provided by financing activities	<u>1,072</u>	<u>1,466</u>
Net change in cash and cash equivalents	(75)	(3,187)
Cash and cash equivalents, beginning of period	1,455	4,642
<b>Cash and cash equivalents, end of period</b>	<b><u>\$ 1,380</u></b>	<b><u>\$ 1,455</u></b>

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

**MGT CAPITAL INVESTMENTS, INC. AND SUBSIDIARIES**  
**NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**(In thousands, except share and per-share amounts)**

**Note 1. Organization and basis of presentation**

**Organization**

MGT Capital Investments, Inc. (“MGT,” “the Company,” “we,” “us”) is a Delaware corporation, incorporated in 2000. The Company was originally incorporated in Utah in 1977. MGT is comprised of the parent company, majority-owned subsidiaries MGT Gaming, Inc. (“MGT Gaming”), MGT Interactive LLC (“MGT Interactive”), and wholly-owned subsidiaries Medicsight, Inc. (“Medicsight”), MGT Studios, Inc. (f/k/a MGT Capital Solutions, Inc.) (“MGT Studios”) including its wholly-owned subsidiary Avcom, Inc. and its minority-owned subsidiary M2P Americas, Inc., and MGT Sports, Inc. (“MGT Sports”) including its majority-owned subsidiary FanTD LLC, (“FanTD”). Our Corporate office is located in Harrison, New York.

MGT and its subsidiaries are primarily engaged in the business of acquiring, developing and monetizing assets in the online and mobile gaming space, as well as the casino industry. Below are more fulsome descriptions of the business lines that make up our two operating segments, Gaming and Intellectual Property.

**Gaming**

MGT and its subsidiaries are principally engaged in the business of acquiring, developing and monetizing assets in the online and mobile gaming space and social casino. MGT’s portfolio of assets in the online, mobile gaming and social casino gaming space includes DraftDay.com, FantasySportsLive.com and Slot Champ. On December 30, 2014, the Company announced an exclusive partnership with Vivid Entertainment, LLC to develop a fantasy sports gaming site which is available online at VividBetSports.com.

**Intellectual property**

MGT Gaming owns U.S. Patents 7,892,088 and 8,550,554 (the “’088 and ’554 patents,” respectively), both entitled “Gaming Device Having a Second Separate Bonusing Event” and both relating to casino gaming systems in which a second game played on an interactive sign is triggered once specific events occur in a first game. On November 2, 2012, MGT Gaming filed a lawsuit (No. 3:12-cv-741) in the United States District Court for the Southern District of Mississippi alleging patent infringement against certain companies which either manufacture, sell or lease gaming systems in violation of MGT Gaming’s patent rights, or operate casinos that offer gaming systems in violation of MGT Gaming’s ’088 patent, including WMS Gaming, Inc. – a subsidiary of Scientific Games, Inc. (“WMS”)(NASDAQ: SGMS), Penn National Gaming, Inc. (“Penn”) (NASDAQ GS: PENN), and Aruze Gaming America, Inc. (“Aruze America”). An amended complaint added the ’554 patent, a continuation of the ’088 patent. The allegedly infringing products include at least those identified under the trade names: “Amazon Fishing” and “Paradise Fishing.”

On October 23, 2013 the U.S. District Court severed the originally filed action into three separate actions: The Defendants in all three actions filed counterclaims denying infringement and asserting invalidity of both patents-in-suit. MGT Gaming filed appropriate responses, reasserting the validity and infringement of the ’088 and ’554 patents. By motions filed on May 12, 2014, Aruze sought a transfer of the Mississippi infringement action to Nevada as well as a stay pending resolution of WMS’ Petition for Inter Partes Review (“IPR”) with the Patent Trial and Appeal Board (“PTAB”) of the United States Patent and Trademark Office (“PTO”), challenging the ’088 patent-in-suit. Only the latter motion has been granted and the Mississippi action remains stayed at present.

The WMS IPR proceeding was subsequently dismissed by agreement between WMS and MGT Gaming as part of a settlement of all claims between WMS and MGT, including a dismissal of MGT’s court action against WMS. However, Aruze Macau, a sister company of Aruze America, subsequently filed its own IPR Petition seeking review of the ’088 patent based on the same prior art cited by WMS in its IPR. In addition, Aruze America also filed a Request for Ex Parte Re-examination of the ’088 patent and a Petition for IPR of the ’554 patent, both based on different prior art.

Aruze America’s Re-examination Request has been denied by the PTO. Its Petitions for IPR of the ’088 and ’554 patents remains pending. MGT filed its Preliminary Response in the ’554 proceeding on March 16, 2015, seeking denial of the ’554 IPR Petition on the grounds that Aruze America has not made out a *prima facie* case of either anticipation or obviousness based on the prior art asserted in that proceeding.

MGT previously sought dismissal of Aruze Macau's '088 IPR Petition based on the grounds that Aruze America, not Aruze Macau, is the real party in interest and/or was in privity with Aruze Macau, and that the Aruze entities delayed filing the '088 Petition more than 12 months after the filing of MGT's infringement action and are therefore barred from filing an IPR against the '088 patent. The PTAB denied MGT's request for dismissal, but granted MGT the right to conduct further discovery on the real party in interest, privity and one year bar issues.. MGT has pursued such discovery and has reasserted the one-year bar in a Petition to Terminate filed on April 28, 2015. Briefing on that motion will be completed on May 26.

Outside of the business of acquiring, developing and monetizing assets in the online, mobile gaming and casino gaming space, MGT's wholly subsidiary Medicsight owns the U.S. Food and Drug Administration ("FDA") approved medical imaging software and has developed an automated carbon dioxide insufflation device which receives royalties on a per-unit basis from an international manufacturer.

### **Basis of presentation**

The accompanying unaudited Condensed Consolidated Financial Statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Rule 8-03 of Regulation S-X. Accordingly, they do not include all of the information and notes required by accounting principles generally accepted in the United States of America. However, in the opinion of the management of the Company, all adjustments necessary for a fair presentation of the financial position and operating results have been included in these statements. These Condensed Consolidated Financial Statements should be read in conjunction with the Condensed Consolidated Financial Statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2014, as filed with the SEC on April 15, 2015. Operating results for the three months ended March 31, 2015 are not necessarily indicative of the results that may be expected for any subsequent quarter or for the year ending December 31, 2015.

## Note 2. Liquidity and financial condition

The Company has incurred significant operating losses since inception and continues to generate losses from operations. As a result, the Company has generated negative cash flows from operations and has an accumulated deficit of \$300,457 at March 31, 2015. The Company is operating in a developing industry based on new technology and its primary source of funds to date has been through issuances of securities. While the Company is optimistic and believes appropriate actions are being taken, there can be no assurance that the products or patent monetization strategy will be successful. Furthermore, it is contemplated that any acquisitions may require the Company to raise capital; such capital may not be available on terms acceptable to the Company, if at all.

Commercial results have been limited and the Company has not generated significant revenues. The Company cannot assure its stockholders that the Company's revenues will be sufficient to fund its operations. If adequate funds are not available to us, the Company may be required to curtail its operations significantly or to obtain funds through entering into arrangements with collaborative partners or others that may require the Company to relinquish rights to certain of our technologies or products that the Company would not otherwise relinquish.

On December 30, 2013, and as amended on March 27, 2014, the Company entered into an At the Market Offering Agreement (the "ATM Agreement") with Ascendant Capital Markets, LLC (the "Manager"). Pursuant to the ATM Agreement, the Company may offer and sell shares of its Common stock (the "Shares") having an aggregate offering price of up to \$8.5 million from time to time through the Manager. The Manager is not required to sell any specific number or dollar amount of Shares but will use its commercially reasonable efforts, as the Company's agent and subject to the terms of the ATM Agreement, to sell the Shares offered, as instructed by the Company. Such instructions will include notice as to the maximum amount of shares of the Company's Common stock to be sold by the Manager on a daily basis and the minimum price per share at which such shares may be sold. The ATM Agreement provides that the Company will pay the Manager a fee of 3.0% of the gross sales price of any Shares sold through the Manager. The ATM Agreement contains customary representations, warranties and agreements of the Company and the Manager and customary conditions to completing future sale transactions, indemnification rights and obligations of the parties and termination provisions. The Company intends to use the net proceeds from any sales of Shares in the offering for working capital, capital expenditures, and general business purposes.

For the quarter ended March 31, 2015, and through May 14, 2015, the Company sold approximately 3,155,051 shares of our Common stock under the ATM Agreement through an "at the market" equity offering program for gross proceeds of approximately \$1,695 before related expenses. The proceeds will be used for general corporate purposes, including, but not limited to, commercialization of our products, capital expenditures and working capital. As of May 14, 2015, the Company has approximately \$5.4 million remaining under the program, assuming sufficient shares are available to be issued.

At March 31, 2015, MGT's cash, cash equivalents and restricted cash were \$1,419, including \$3 held in MGT Gaming.

Currently the Company anticipates it has sufficient cash on hand, along with the ATM agreement and combined with the anticipated gross margin from DraftDay and the gross margin from the expected launch of its social slot machine game, Slotchamp, to continue operations at least through May 15, 2016.

## Note 3. Summary of significant accounting policies

### Use of estimates and assumptions and critical accounting estimates and assumptions

The preparation of financial statements in conformity with US GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date(s) of the financial statements and the reported amounts of revenues and expenses during the reporting period(s).

Critical accounting estimates are estimates for which (a) the nature of the estimate is material due to the levels of subjectivity and judgment necessary to account for highly uncertain matters or the susceptibility of such matters to change and (b) the impact of the estimate on financial condition or operating performance is material. The Company's critical accounting estimates and assumptions affecting the financial statements were "Carrying Value of the Long-lived Assets", "Valuation Allowance for Deferred Tax Assets" and "Valuation of Equity Instruments".

Management bases its estimates on historical experience and on various assumptions that are believed to be reasonable in relation to the financial statements taken as a whole under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources.

Management regularly evaluates the key factors and assumptions used to develop the estimates utilizing currently available information, changes in facts and circumstances, historical experience and reasonable assumptions. After such evaluations, if deemed appropriate, those estimates are adjusted accordingly. Actual results could differ from those estimates.

### **Principles of consolidation**

All intercompany transactions and balances have been eliminated. Non-controlling interest represents the minority equity investment in MGT subsidiaries, plus the minority investors' share of the net operating results and other components of equity relating to the non-controlling interest.

### **Loss per share**

Basic loss per share is calculated by dividing net loss applicable to common shareholders by the weighted average number of common shares outstanding during the period. Diluted loss per share is calculated by dividing the net loss attributable to common shareholders by the sum of the weighted average number of common shares outstanding plus potential dilutive common shares outstanding during the period. Potential dilutive securities, comprised of the convertible Preferred Stock, unvested restricted shares and stock options, are not reflected in diluted net loss per share because such shares are anti-dilutive.

The computation of diluted loss per share for the three months ended March 31, 2015, excludes 10,913 shares in connection to the convertible Preferred Stock, 1,020,825 warrants and 96,000 unvested restricted shares, as they are anti-dilutive due to the Company's net loss. For the three months ended March 31, 2014, the computation excludes 9,555 shares in connection to the convertible Preferred Stock, 920,829 warrants and 96,677 unvested restricted shares, as they are anti-dilutive due to the Company's net loss.

### **Recent accounting pronouncements**

The Company is currently in the process of evaluating the impact of adopting of Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09 - *Revenue from Contract with Customers*, ASU 2014-12 - *Compensation – Stock Compensation*, ASU 2014-15 – *Presentation of Financial Statements - Going Concern*, and ASU 2014-16 – *Derivative and Hedging* and 2014-17 – *Business Combination (Topic 805) Pushdown Accounting*. The adoption of these ASUs is not expected to have a material impact on the condensed consolidated financial statements.

**Note 4. Goodwill and intangible assets**

The Company's intangible assets consisted of the following:

	<b>Goodwill</b>
Balance at January 1, 2015	\$ 6,444
Additions	—
<b>Balance at March 31, 2015</b>	<b>\$ 6,444</b>
	<b>Estimated remaining useful life</b>
	<b>March 31, 2015</b>
Intellectual property	6 years
Software and website development	\$ 2,230
Customer lists	2 years
Trademarks	3 years
Less: Accumulated amortization	210
<b>Intangible assets, net</b>	<b>5</b>
	(1,129)
	<b>\$ 2,267</b>

In the three months ended March 31, 2015 the Company recorded an amortization expense of \$150 (2014: \$117).

**Note 5. Note receivable**

On February 26, 2015, the Company signed a letter of intent with Tera Group, Inc., owner of TeraExchange, LLC, a Swap Execution Facility regulated by the U.S. Commodity Futures Trading Commission to negotiate a merger agreement. Since the merger agreement was not executed by the execution date, the merger was aborted. Simultaneous with the letter of intent, on February 26, 2015, the Company purchased a promissory note in the principal amount of \$250 bearing interest at the rate of 5% per annum from the aggregate unpaid principal balance and all accrued and unpaid interest are due and payable upon demand at any time after August 15, 2015. As of March 31, 2015, the Company has accrued \$1 of interest income under this note.

**Note 6. Series A Convertible Preferred Stock**

On November 2, 2012, the Company closed a private placement sale of 1,380,362 shares of Series A Convertible Preferred Stock ("Preferred Stock"), (including 2,760,724 warrants to purchase MGT Common Stock) for an aggregate of \$4.5 million. This transaction was approved by the NYSE MKT on October 26, 2012. The Preferred Stock is convertible into the Company's Common Stock at a fixed price of \$3.26 per share and carries a 6% dividend. The warrants have a five-year life and are exercisable at \$3.85 per share. Total issuance cost for this private placement for the year ended December 31, 2012, was \$88.

For the three months ended March 31, 2015, and 2014, respectively, the Company issued 150 and 142 of Dividend Shares to the Preferred Stock holders.

## Note 7. Stock incentive plan and stock-based compensation

### Stock incentive plan

The Company's board of directors established the 2012 Stock Incentive Plan (the "Plan") on April 15, 2012, and the Company's shareholders ratified the Plan at the annual meeting of the Company's stockholders on May 30, 2012. The Company has 415,000 shares of Common Stock that are reserved to grant Options, Stock Awards and Performance Shares (collectively the "Awards") to "Participants" under the Plan. The Plan is administered by the board of directors or the Compensation Committee of the board of directors, which determines the individuals to whom awards shall be granted as well as the type, terms and conditions of each award, the option price and the duration of each award.

Options granted under the Plan vest as determined by the Company's Compensation and Nominations Committee and expire over varying terms, but not more than seven years from date of grant. In the case of an Incentive Stock Option that is granted to a 10% shareholder on the date of grant, such Option shall not be exercisable after the expiration of five years from the date of grant. No option grants were issued during the three months ended March 31, 2015, and 2014.

### Issuance of restricted shares – directors, officers and employees

A summary of the Company's employee's restricted stock as of March 31, 2015, is presented below:

	<b>Number of shares</b>	<b>Weighted average grant date fair value</b>
Non-vested at January 1, 2015	110,000	\$ 1.42
Granted	55,000	0.56
Vested	(41,000)	0.83
Forfeited	(28,000)	1.99
<b>Non-vested at March 31, 2015</b>	<b>96,000</b>	<b>\$ 1.01</b>

For the three months ended March 31, 2015, the Company has recorded \$32 (2014: \$123) in employee and director stock-based compensation expense, which is a component of selling, general and administrative expense in the condensed Consolidated Statement of Operations.

On January 28, 2015, 30,000 restricted shares were granted and issued to a certain employee with an aggregated fair value of \$16. The shares vest one-third every six month from the date of issue.

On January 28, 2015, 25,000 restricted shares were granted and issued to a certain employee with an aggregated fair value of \$13. 10,000 shares vested on January 30, 2015, the remaining shares vest one-half on April 16 and October 16, 2015, respectively.

### Unrecognized compensation cost

As of March 31, 2015, unrecognized compensation costs related to non-vested stock-based compensation arrangements was \$61 (2014: \$283), and is expected to be recognized over a weighted average period of 0.77 (2014: 0.78) years.

### Stock-based compensation – non-employees

For the three months ended March 31, 2014, the Company granted and issued a total of 103,607 shares to non-employees for services rendered. The shares were fully vested and recorded at \$62 using the closing market value on respective dates of issuance.

Subsequent to March 31, 2015, and through the date of filing the Quarterly Report on Form 10-Q, the Company granted and issued a total of 45,095 shares to non-employees for services rendered. The shares were recorded at \$23 using the closing market value on respective dates of issuance.

## **Warrants**

As of March 31, 2015 the Company had 1,020,825 warrants outstanding at weighted average exercise price of \$3.47, and an intrinsic value of \$nil.

As of March 31, 2015, all issued warrants are exercisable and expire through 2018.

## **Note 8. Non-controlling interest**

At March 31, 2015, the Company's non-controlling interest was as follows:

	<b>MGT Gaming</b>	<b>MGT Interactive</b>	<b>M2P Americas</b>	<b>Total</b>
Non-controlling interest at January 1, 2015	\$ 370	\$ 92	\$ (20)	\$ 442
Non-controlling share of losses	(87)	—	—	(87)
<b>Non-controlling interest at March 31, 2015</b>	<b>\$ 283</b>	<b>\$ 92</b>	<b>\$ (20)</b>	<b>\$ 355</b>

## **Note 9. Operating leases, commitments and security deposit**

On August 20, 2014, the Company entered into a First Lease Modification and Extension Agreement, extending for a period of one year the current lease on the Harrison office. Under the agreement the total rental payments over the next twelve months are \$71.

Total lease rental expense for the three months ended March 31, 2015, and 2014, was \$19 and \$30, respectively.

Total future minimum payments required under operating leases for both the remainder of 2015, and the aggregate are \$41.

## Note 10. Segment reporting

Operating segments are defined as components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker, or decision-making group in deciding how to allocate resources and in assessing performance. The Company's chief operating decision-making group is composed of the Chief Executive Officer and Chief Financial Officer. The Company operates in two operational segments, Gaming and Intellectual Property. Medicsight's Software and Devices and Services are no longer considered separate business segments and have been merged into the Intellectual Property segment. Certain corporate expenses are not allocated to segments.

The Company evaluates performance of its operating segments based on revenue and operating (loss). Segment information as of March 31, 2015, and December 31, 2014, are as follows:

	<b>Intellectual property</b>	<b>Gaming</b>	<b>Unallocated corporate/other</b>	<b>Total</b>
<b>Three months ended March 31, 2015</b>				
Revenue	\$ –	\$ 217	\$ –	\$ 217
Cost of revenue	–	(90)	–	(90)
Gross margin	–	127	–	127
Operating loss	(192)	(371)	(777)	(1,340)
<b>Three months ended March 31, 2014</b>				
Revenue	\$ 43	\$ 42	\$ –	\$ 85
Cost of revenue	–	(49)	–	(49)
Gross margin	43	(7)	–	36
Operating loss	(58)	(373)	(874)	(1,305)
<b>March 31, 2015</b>				
Cash and cash equivalents (excludes \$38 of restricted cash)	\$ 3	\$ 647	\$ 730	\$ 1,380
Property and equipment	–	29	4	33
Intangible assets	1,336	931	–	2,267
Goodwill	–	6,444	–	6,444
<b>December 31, 2014</b>				
Cash and cash equivalents (excludes \$140 of restricted cash)	\$ 11	\$ 820	\$ 624	\$ 1,455
Property and equipment	–	38	5	43
Intangible assets	1,386	1,030	1	2,417
Goodwill	–	6,444	–	6,444
<b>Additions:</b>				
Property and equipment	–	41	–	41
Intangible assets	–	790	–	790
Goodwill	–	–	–	–

## Note 11. Subsequent events

The Company has evaluated events that occurred subsequent to March 31, 2015, and through the date of the Condensed Consolidated Financial Statements were issued.

On April 21, 2015, Gioia Systems, LLC filed a complaint against the Company, the Company's majority owned subsidiary, MGT Interactive, LLC, Robert Ladd and Robert Traversa with the United States District Court for the Southern District of New York. MGT Interactive, LLC was also included as a derivative plaintiff in the action. Gioia Systems, LLC's complaint asserts claims for breach of contract and breach of fiduciary duty relating to the agreements between Gioia, the Company and MGT Interactive, LLC described above in Note 1 to these Condensed Consolidated Financial Statements.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

*This Quarterly Report on Form 10-Q contains forward-looking statements that involve risks and uncertainties, as well as assumptions that, if they never materialize or prove incorrect, could cause our results to differ materially from those expressed or implied by such forward-looking statements. The statements contained herein that are not purely historical are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). Forward-looking statements are often identified by the use of words such as, but not limited to, "anticipate," "estimates," "should," "expect," "guidance," "project," "intend," "plan," "believe" and similar expressions or variations intended to identify forward-looking statements. These statements are based on the beliefs and assumptions of our management based on information currently available to management. Such forward-looking statements are subject to risks, uncertainties and other important factors that could cause actual results and the timing of certain events to differ materially from future results expressed or implied by such forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those identified below, and those discussed in the section titled "Risk Factors" included in our Annual Report on Form 10-K filed with the SEC on April 15, 2015, in addition to other public reports we filed with the Securities and Exchange Commissions ("SEC"). The forward-looking statements set forth herein speak only as of the date of this report. Except as required by law, we undertake no obligation to update any forward-looking statements to reflect events or circumstances after the date of such statements.*

### **Executive summary**

MGT Capital Investments, Inc. ("MGT," "the Company," "we," "us") is a Delaware corporation, incorporated in 2000. The Company was originally incorporated in Utah in 1977. MGT is comprised of the parent company, majority-owned subsidiary MGT Gaming, Inc. ("MGT Gaming") and wholly-owned subsidiaries Medicsight, Inc. ("Medicsight"), MGT Studios, Inc. (f/k/a MGT Capital Solutions, Inc.) ("MGT Studios") and its minority-owned subsidiary M2P Americas, Inc., and MGT Sports, Inc. ("MGT Sports") including its wholly-owned subsidiary FanTD LLC, ("FanTD"). Our corporate office is located in Harrison, New York.

MGT and its subsidiaries are principally engaged in the business of acquiring, developing and monetizing assets in the online and mobile gaming space and social casino. MGT's portfolio of assets in the online, mobile gaming and social casino gaming space includes DraftDay.com, FantasySportsLive.com and Slot Champ. On December 30, 2014, the Company announced an exclusive partnership with Vivid Entertainment, LLC to develop a fantasy sports gaming site which is available online at VividBetSports.com.

In addition, MGT Gaming owns two U. S. patents covering certain features of casino slot machines. Both patents are being asserted against alleged infringers in various actions in federal court in Mississippi. We have elected to reduce our financial exposure by entering into a contingency arrangement with a nationally recognized law firm; this arrangement also reduces the potential recovery via legal judgments or settlements. While the Company is optimistic with respect to prevailing in court and the potential damages, the outcome of our patent enforcement actions cannot be predicted with any certainty nor can the timetable.

Outside of the business of acquiring, developing and monetizing assets in the online, mobile gaming and casino gaming space, MGT's wholly subsidiary Medicsight owns the U.S. Food and Drug Administration ("FDA") approved medical imaging software and has developed an automated carbon dioxide insufflation device which receives royalties on a per-unit basis from an international manufacturer.

### **Critical accounting policies and estimates**

The Company's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). Certain accounting policies have a significant impact on amounts reported in the financial statements. A summary of those significant accounting policies can be found in Note 3 to the Company's financial statements contained in the 2014, Annual Report on Form 10-K and Part I (Note 3) contained in the 2014, Quarterly Report on Form 10-Q.

### **Results of operations**

The Company currently has two operational segments, Gaming and Intellectual Property Medicsight's Software and Devices and Services are no longer considered separate business segments and have been merged into the Intellectual Property segment. Certain corporate expenses are not allocated to segments. Certain corporate expenses are not allocated to a particular segment. The Company achieved the following results for the three months ended March 31, 2015, and 2014, respectively:

- Revenues totaled \$217 (2014: \$85).

- Operating expenses were \$1,467 (2014: \$1,341).
- Net loss attributable to Common shareholders was \$1,294 (2014: \$1,122) and resulted in a basic and diluted loss per share of \$0.11 (2014: \$0.13).

Our operating expenses increased approximately 9% during the quarter ended March 31, 2015 compared to quarter ended March 31, 2014. The increase is primarily attributed to the higher operating costs within our Gaming segment as the result of the acquisition of DraftDay in April 2014, which is offset by lower corporate governance and stock-based compensation expense.

### **Three months ended March 31, 2015, and 2014**

#### *Gaming*

During the three months ended March 31, 2015, the Company recognized \$217 in revenues for this segment as compared to \$42 for the same period last year. The increase in the revenue was attributable to the acquisition of DraftDay in the second quarter of 2014.

Our cost of revenue for the three months ended March 31, 2015, was \$90 (2014: \$49), which primarily consisted of overlay incurred on the DraftDay website. The website offers Daily Fantasy Sports contests and charges entry fees to play. Occasionally, as an incentive for user activity some contests may pay out higher prize money than the charged entry fees, this expense is recognized as overlay and included in cost of revenues. Management expects these costs to decrease substantially as the site builds its user base and increases liquidity.

During the three months ended March 31, 2015, our selling, general and administrative expenses were \$498 (2014: \$306), primarily consisting of marketing expenses, employee compensation, information technology and office related expenses in MGT Studios, and MGT Sports. The increase is primarily attributed to operating costs in DraftDay, acquired in the second quarter of 2014.

In the three months ended March 31, 2015, the Company did not recognize any research and development expense (2014: \$60), attributed to product development costs in MGT Studios in the prior year.

#### *Intellectual property*

In the three months ended March 31, 2015, the Company did not recognize any licensing revenue, compared to \$43 for the same period last year, primarily related to the Insufflator, a medical device distributed via our partner Ultrasound Technologies Ltd.

Selling, general and administrative expenses for the three months ended March 31, 2015, were \$192 (2014: \$101), attributed to legal and consulting costs and amortization of the intellectual property assets.

#### *Unallocated corporate / other*

Selling, general and administrative expenses during the three months ended March 31, 2015, were \$777 (2014: \$884), primarily due to lower corporate governance and stock-based compensation expense.

The Company recorded \$41 in interest and other expense for the quarter ended March 31, 2015, (2014: \$3).

### **Liquidity and capital resources**

	<u>March 31, 2015</u>	<u>December 31, 2014</u>
<b>Working capital summary:</b>		
Cash and cash equivalents (excluding \$39 and \$138 of restricted cash as of March 31, 2015, and 2014, respectively)	\$ 1,380	\$ 1,455
Other current assets	411	177
Current liabilities	(1,492)	(1,379)
<b>Working capital surplus</b>	<u><u>\$ 299</u></u>	<u><u>\$ 253</u></u>

<u>Three months ended March 31, 2015</u>	<u>2014</u>
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#### **Cash flow summary:**

Cash (used in) / provided by:	
Operating activities	\$ (997) \$ (1,424)

Investing activities	(150)	(39)
Financing activities	1,072	1,466
<b>Net decrease in cash and cash equivalents</b>	<b>\$ (75)</b>	<b>\$ 3</b>

On March 31, 2015, MGT's cash and cash equivalents were \$1,380 excluding \$39 of restricted cash. The Company continues to exercise discipline with respect to current expense levels, as revenues remain limited. Our cash and cash equivalents have decreased during the three months ended March 31, 2015, primarily due to \$997 used in operating activities, the \$250 note sold to Tera and mostly offset by \$1,072 in net proceeds from ATM sales of common stock.

### Operating activities

Our net cash used in operating activities differs from the net loss predominantly because of various non-cash adjustments such as depreciation, amortization of intangibles and stock-based compensation, and change in fair value of warrants and movement in working capital.

### Risks and uncertainties related to our future capital requirements

The Company has incurred significant operating losses since inception and continues to generate losses from operations. As a result, the Company has generated negative cash flows from operations and has an accumulated deficit of \$300,457 at March 31, 2015. The Company is operating in a developing industry based on new technology and its primary source of funds to date has been through the issuance of securities. While the Company is optimistic and believes appropriate actions are being taken, there can be no assurance that the products or patent monetization strategy will be successful. Furthermore, it is contemplated that any acquisitions may require the Company to raise capital; such capital may not be available on terms acceptable to the Company, if at all.

On December 30, 2013, and as amended on April 24, 2014, the Company entered into an At the Market Offering Agreement (the "Agreement") with Ascendant Capital Markets, LLC (the "Manager").

Pursuant to the Agreement, the Company may offer and sell shares of its Common Stock (the "Shares") having an aggregate offering price of up to \$8.5 million from time to time through the Manager. The Shares sold in the offering will be issued pursuant to the Company's effective shelf registration statement on Form S-3 (File No. 333-182298) previously filed with the Securities and Exchange Commission (the "SEC") in accordance with the provisions of the Securities Act of 1933, as amended (the "Securities Act"), as supplemented by a prospectus supplement dated December 30, 2013 for the sale of up to \$8.5 million of Shares, which the Company filed with the SEC pursuant to Rule 424(b)(5) under the Securities Act.

The Manager is not required to sell any specific number or dollar amount of Shares but will use its commercially reasonable efforts, as the Company's agent and subject to the terms of the Agreement, to sell the Shares offered, as instructed by the Company. Such instructions will include notice as to the maximum amount of shares of the Company's Common Stock to be sold by the Manager on a daily basis and the minimum price per share at which such shares may be sold.

The Agreement provides that the Company will pay the Manager a fee of 3.0% of the gross sales price of any Shares sold through the Manager. The Agreement contains customary representations, warranties and agreements of the Company and the Manager and customary conditions to completing future sale transactions, indemnification rights and obligations of the parties and termination provisions.

At March 31, 2015, MGT's cash, cash equivalents and restricted cash were \$1,419, including \$3 held in MGT Gaming.

Management believes that the current level of working capital along with the At the Market Offering Agreement, will be sufficient to allow the Company to maintain its operations into May 2016, at which point the Company may need to seek additional sources of financing. There is no guarantee that additional sources of financing will be available or on terms acceptable to the Company, if at all.

To date we have primarily financed our operations through private placements of equity and debt securities. To the extent that additional capital is raised through the sale of equity or equity-related securities of the Company or its subsidiaries, the issuance of such securities could result in dilution to our stockholders.

No assurance can be given, however, that we will have access to the capital markets in the future, or that financing will be available on acceptable terms, if at all, to satisfy our cash requirements to implement our business strategies.

If we are unable to access the capital markets or obtain acceptable financing, our results of operations and financial conditions could be materially and adversely affected. We may be required to raise substantial additional funds through other means.

Commercial results have been limited and we have not generated significant revenues. We cannot assure our stockholders that our revenues will be sufficient to fund our operations. If adequate funds are not available to us, we may be required to curtail operations significantly or to obtain funds through entering into arrangements with collaborative partners or others that may require us to relinquish rights to certain of our technologies or products that we would not otherwise relinquish.

There can be no assurance that any additional acquisitions will occur at all, or that any such acquisitions will be accretive to earnings, book value and other financial metrics, or that any such acquisitions will generate positive returns for Company shareholders. Furthermore, it is contemplated that any acquisitions may require the Company to raise additional capital; such capital may not be available on terms acceptable to the Company, if at all.

During the first quarter through May 14, 2015, the Company sold approximately 3,155,051 shares of our common stock under the Sales Agreement through an “at the market” equity offering program for net proceeds of approximately \$1,695 before related expenses. The net proceeds will be used for general corporate purposes, including, but not limited to, commercialization of our products, capital expenditures and working capital. As of May 14, 2015, the Company has approximately \$5.4 million remaining under the program, assuming sufficient shares are available to be issued.

The Company intends to use the net proceeds from any future offerings for general corporate purposes, including, but not limited to, obtaining regulatory approvals, commercialization of its products, capital expenditures and working capital.

#### Off-balance sheet arrangements

We have no obligations, assets or liabilities which would be considered off-balance sheet arrangements. We do not participate in transactions that create relationships with unconsolidated entities or financial partnerships, often referred to as variable interest entities, which would have been established for the purpose of facilitating off-balance sheet arrangements.

#### **Item 3. Quantitative and qualitative disclosures about market risk**

Not required for smaller reporting companies.

#### **Item 4. Controls and procedures**

*(a) Evaluation of disclosure controls and procedures.* Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) or 15d-15(e) of the Exchange Act of 1934. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures as of March 31, 2015, (the end of the period covered by this Quarterly Report on Form 10-Q), have been designed and are functioning effectively to provide reasonable assurance that the information required to be disclosed by us in our reports filed or submitted under the Exchange Act is (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and (ii) that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

*(b) Changes in internal control over financial reporting.* There have been no changes in our internal control over financial reporting that occurred during the quarter ended March 31, 2015, that have materially affected or are reasonably likely to materially affect our internal control over financial reporting.

## PART II. OTHER INFORMATION

### Item 1. Legal proceedings

On April 21, 2015, Gioia Systems, LLC filed a complaint against the Company, the Company's majority owned subsidiary, MGT Interactive, LLC, Robert Ladd and Robert Traversa with the United States District Court for the Southern District of New York. MGT Interactive, LLC was also included as a derivative plaintiff in the action. Gioia Systems, LLC's complaint asserts claims for breach of contract and breach of fiduciary duty relating to the agreements between Gioia, the Company and MGT Interactive, LLC described above in Part I, Item 2, above.

### Item 1-A. Risk factors

Not required for smaller reporting companies.

### Item 2. Unregistered sales of equity securities and use of proceeds

In the three months ended March 31, 2015, the Company issued 150 shares of Series A Convertible Preferred stock as dividend shares to holders, representing dividends due from January 1, 2015, through March 31, 2015.

The above issuances were made in reliance on an exemption from registration set forth in Section 4(2) of the Securities Act. The issuances did not result in any proceeds to the Company.

### Item 3. Defaults upon senior securities

None.

### Item 4. Mine safety disclosures

Not Applicable.

### Item 5. Other information

None

### Item 6. Exhibits

31.1	Certification pursuant to Section 302 of the Sarbanes–Oxley Act of 2002
31.2	Certification pursuant to Section 302 of the Sarbanes–Oxley Act of 2002
32.1	Certification pursuant to Section 906 of the Sarbanes–Oxley Act of 2002
32.2	Certification pursuant to Section 906 of the Sarbanes–Oxley Act of 2002
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Labels Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

**SIGNATURES**

In accordance with the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

MGT CAPITAL INVESTMENTS, INC

May 15, 2015

By: /s/ ROBERT B. LADD  
Robert B. Ladd  
President and Chief Executive Officer  
(*Principal Executive Officer*)

May 15, 2015

By: /s/ ROBERT P. TRAVERSA  
Robert P. Traversa  
Treasurer and Chief Financial Officer  
(*Principal Financial Officer*)

In accordance with the Exchange Act, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.